



## DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

*In Re:*

PROGRESSIVE DIRECT  
INSURANCE COMPANY  
(NAIC #16322) ) Market Conduct Examination No. 360265

### ORDER OF THE DIRECTOR

NOW, on this 25th day of November, 2025, Director Angela L. Nelson, after consideration and review of the market conduct examination report of Progressive Direct Insurance Company (NAIC #16322) (hereinafter "PDIC"), examination report number #360265, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)<sup>1</sup>, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #360265, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15 RSMo, is in the public interest.

**IT IS THEREFORE ORDERED** that the Director does hereby approve the Stipulation as agreed to by PDIC and the Division.

---

<sup>1</sup> All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

**IT IS FURTHER ORDERED** that PDIC shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

**IT IS FURTHER ORDERED** that PDIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$17,000.00, payable to the Missouri State School Fund.

**IT IS SO ORDERED.**

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 25th day of November, 2025.

A handwritten signature in blue ink that reads "Angela L. Nelson".

Angela L. Nelson  
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE  
STATE OF MISSOURI**

*In Re:*

**PROGRESSIVE DIRECT  
INSURANCE COMPANY (NAIC # 16322)** )  
 )  
 ) **Market Conduct Examination No. 360265**

**STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter the “Division”), and Progressive Direct Insurance Company (NAIC #16322) (hereinafter “PDIC”), as follows:

**WHEREAS**, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter the “Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

**WHEREAS**, PDIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

**WHEREAS**, the Division conducted a market conduct examination of PDIC, Examination No. 360265; and

**WHEREAS**, based on the claims review section of the market conduct examination of PDIC, the Division alleges that:

1. In three instances, PDIC did not implement reasonable standards for the prompt investigation and settlement of claims in the handling of reservation of rights letters and valuation of total loss claims, in violation of § 375.1007(3)<sup>1</sup>.
2. In three instances, PDIC did not provide an appropriate reply within 10 working days to communications received from a claimant or claimant’s representative, implicating the provisions of

§ 375.1007(2) and in violation of 20 CSR 100-1.030(1)(B).

3. In three instances, PDIC did not maintain the Missouri Sales Tax Affidavit in its claim files, in violation of § 375.205.2(2) and in violation of 20 CSR 100-8.040(3)(B)3.

4. In one instance, PDIC did not maintain adequate documentation in its claim files, in violation of § 375.205.2(2) and in violation of 20 CSR 100-8.040(3)(B)1.

5. In 11 instances, PDIC did not maintain adequate documentation in its claim files, in violation of § 375.205.2(2) and in violation of 20 CSR 100-8.040(3)(B).

6. In four instances, PDIC misrepresented facts or policy provisions related to coverages at issue by failing to inform the first-party claimant of the option to select a valuation methodology that would have increased the insured vehicle settlement, implicating the provisions of § 375.1007(1) and in violation of 20 CSR 100-1.020(1)(A).

7. In 11 instances, PDIC did not effectuate a fair and equitable settlement and did not adopt and implement reasonable standards for the settlement of total loss claims, in violation of § 375.1007(4).

8. In 10 instances, PDIC did not implement reasonable standards for the settlement of claims and did not effectuate fair and equitable settlements by mis-categorizing the condition of vehicles in total loss settlements, in violation of § 375.1007(3) and 375.1007(4).

9. In one instance, PDIC did not effectuate a fair and equitable settlement of a claim, in violation of § 375.1007(4).

10. In 43 instances, PDIC did not include identifying information for comparable vehicles used in calculating total loss settlements, in violation of § 374.205.2(2), and in violation of §§ 375.1007(3), 375.1007(4), 20 CSR 100-8.040 (2), and 20 CSR 100-8.040(3)(B)(1).

11. In 61 instances, PDIC did not implement reasonable standards and effectuate prompt, fair

---

1 All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

and equitable settlement of claims by failing to itemize depreciation deductions in total loss settlements, in violation of § 375.1007(3) and 20 CSR 100-1.050(2)(E).

12. In six claims, PDIC did not document the basis of salvage quotes used for owner-retained settlements, in violation of § 375.1007(3), 20 CSR 100-8.040(2), and 20 CSR 100-8.040(3)(B).

13. In one instance, PDIC did not adopt and implement reasonable standards when selecting, implementing, and monitoring a software system that was used to prepare estimates, in violation of § 375.1007(3) and 20 CSR 100-1.050(2)(D)(2).

14. In one instance, PDIC did not effectuate prompt, fair, and equitable settlement by failing to include the required disclosure when preparing customer estimates, in violation of § 375.1007(4) and 20 CSR 100-1.050(2)(D)(2).

15. In one instance, PDIC refused to pay a claim without conducting a reasonable investigation, resulting in an underpayment, and implicating the provisions of § 375.1007(6).

16. In two instances, PDIC provided inaccurate information to the Department in connection with a market conduct examination, in violation of § 374.210.1(2).

17. In one instance, PDIC failed to document that it provided a reasonable and accurate explanation for the basis of a claims denial, in violation of § 375.1007(3) and 20 CSR 100-1.050(1)(A).

18. In three instances, PDIC did not provide a reasonable and accurate explanation when a claim was denied, implicating the provisions of § 375.1007(12) and in violation of 20 CSR 100-1.050(1)(A).

19. In one instance, PDIC did not send a letter at 45 days to their insured, setting forth the reasons additional time was needed for the investigation, in violation of § 375.1007(3) and 20 CSR 100-1.050(1)(C).

20. In one instance, PDIC did not send a letter at 15 days to their insured advising of the

acceptance or denial of a claim, in violation of § 375.1007(3) and 20 CSR 100-1.050(1)(A).

21. In six instances, PDIC did not maintain adequate documentation in its claim files, in violation of § 375.205.2(2) and in violation of 20 CSR 100-8.040(3)(B).

22. In one instance, PDIC did not implement reasonable standards by failing to remove the insured's vehicle from the policy with a correct effective date, resulting in a policy processing error, in violation of § 375.1007(3) and 20 CSR 100-1.010(1)(B).

23. In four instances, PDIC did not provide a reasonable and accurate explanation of the basis for claim denials in writing, implicating the provisions of § 375.1007(12), and in violation of § 375.1007(3) and 20 CSR 100-1.050(1)(A).

**WHEREAS**, the Division and PDIC have agreed to resolve the issues raised in the market conduct examination as follows:

**A. Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement, or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

**B. Remedial Action.** PDIC agrees to take remedial action, bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include the following:

1. PDIC agrees that, where a sales tax affidavit has been issued to a total loss claimant, it will maintain a copy of the affidavit in the claim file.

2. PDIC agrees to document conditioning scores in its claim files with clarity and specificity as required by 20 CSR 100-8.040(3)(B). PDIC agrees that when a motor vehicle total loss is valued, the determination of the actual cash value of the total loss vehicle must be supported by

documentation maintained in the claim file. PDIC also agrees that the documentation shall be in sufficient detail and clear enough for the adjuster to explain the adjustments and to show how each of the adjustments was calculated for the comparable vehicles to the insured and to the Department if necessary. PDIC further agrees that any adjustment in the value shall be itemized, measurable, verifiable, and appropriate in amount pursuant to 20 CSR 100-1.050(2)(E). The basis for any adjustment in settlement shall be maintained in writing in PDIC's claim file.

3. PDIC agrees to reimburse all claimants for underpayments identified in the exam report that have not already been reimbursed. Payment of interest, pursuant to § 374.191, will be included with the reimbursement of the underpayment. A letter will be included indicating that, as a result of a Missouri Market Conduct Examination, it was discovered that additional payments were owed on the claim.

4. PDIC agrees that, in assessing the value of total loss vehicles, it will categorize the condition of the vehicle based on the evidence contained in the claim file and will only accept the adjuster's real-time determination if that determination is supported by documentary evidence contained in the claim file.

5. PDIC agrees that it will include all inputs and other documentation in the claim file needed to determine how salvage value was calculated.

6. PDIC agrees that upon written request of the Department made in connection with a market conduct examination or investigation, it will work with its vendors to provide the Department with the full Vehicle Identification Number (VIN) and place of sale of comparable vehicles utilized by PDIC or its contractors, in connection with total loss claims, for determining the value of a total loss vehicle.

7. PDIC agrees that it will include all optional equipment on vehicles in determining valuations on total loss settlements.

8. PDIC agrees to retain copies of all claim denial letters in its claim files.

9. With respect to Claim Number XX-XXX5798, PDIC agrees to conduct a reasonable investigation to determine whether the claim for specific property involved in the loss should be paid. The investigation shall include contacting the third-party claimant to determine a more accurate value for the specific property. If, after reasonable investigation, PDIC cannot establish to the satisfaction of the Division a reasonable basis for denying the claim, PDIC agrees to make payment on the claim for the property involved plus interest in an amount to be determined pursuant to § 374.191.

10. PDIC agrees to send a written denial letter referencing a specific policy provision, condition, or exclusion when a first-party claim is denied on the grounds of a specific policy provision, condition, or exclusion.

11. PDIC agrees to include the disclosure required by 20 CSR 100-1.050(2)(D)2 when preparing estimates based on the use of automobile parts not made by the original equipment manufacturer.

12. PDIC agrees that going forward, as long as it utilizes Mitchell as a third-party vendor, it will follow both PDIC's and Mitchell's guidelines and condition deductions for headliners as outlined by PDIC's and Mitchell's guidelines and training.

13. PDIC agrees to ensure that its written standards for assessing tire condition are fair, equitable, and consistently applied in all total loss valuations, subject to any changes in Missouri statutes and regulations.

**C. Compliance.** PDIC agrees to file documentation pursuant to section 374.205 with the Division, in a format acceptable to the Division, within 45 days of the entry of an Order approving this Stipulation, of any remedial action taken to implement compliance with the terms of this Stipulation.

**D. Voluntary Forfeiture.** PDIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$17,000.00, such sum payable to the Missouri State School Fund, in accordance with §§ 374.049.11 and 374.280.2, within fifteen (15) days of the date the Director of the Department (hereinafter “Director”) signs the Order approving this Stipulation.

**E. Effect of this Stipulation.** This stipulation fully resolves all issues contained in the claims portion of Examination No. 360265. Examination of all other issues authorized by the Examination Warrant signed by the Director remains ongoing, and neither the Department nor PDIC waive any legal rights, claims or defenses relating to the ongoing portions of the examination.

**F. Non-Admission.** Nothing in this Stipulation shall be construed as an admission by PDIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination.

**G. Waivers.** PDIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the market conduct Examination No. 360265.

**H. Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and PDIC.

**I. Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

**J. Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and PDIC, respectively.

**K. Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective

and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of an Order by the Director of the Department (hereinafter “Director”) approving this Stipulation.

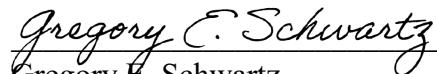
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: November 14, 2025

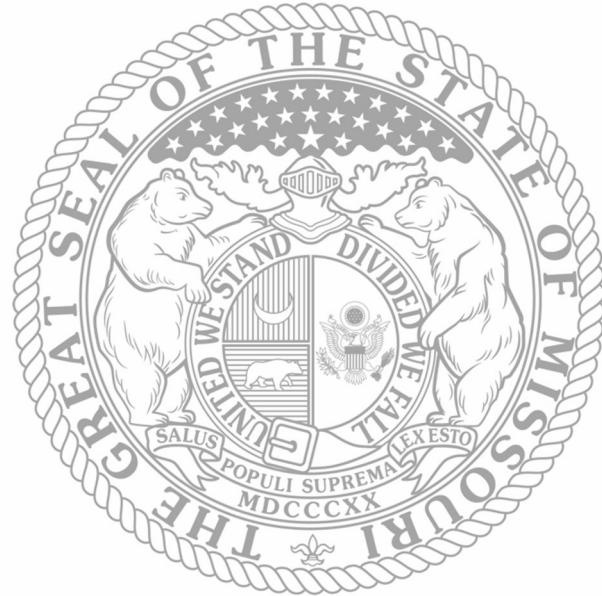


Teresa Kroll  
Chief Market Conduct Examiner  
Division of Insurance Market Regulation

DATED: October 1, 2025



Gregory E. Schwartz  
Assistant General Counsel  
Progressive Direct Insurance Company



**MARKET CONDUCT EXAMINATION REPORT**  
of the Property and Casualty Business of

**Progressive Direct Insurance Company**  
**NAIC #16322**

Home Office:  
6300 Wilson Mills Road  
Mayfield Village, OH 44123

Missouri Examination #360265

Covering the Time Period of  
January 1, 2017 through December 31, 2019

**Claims Portion of the Examination Only**

**DIVISION OF INSURANCE MARKET REGULATION  
DEPARTMENT OF COMMERCE & INSURANCE  
STATE OF MISSOURI**

JEFFERSON CITY, MISSOURI



## Division of Insurance Market Regulation

November 17, 2025

Honorable Angela L Nelson, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Nelson:

In accordance with the market conduct examination warrant and in compliance with the statutory requirements of the State of Missouri, a targeted market conduct examination has been conducted of the specified lines of insurance and business practices of:

### **Progressive Direct Insurance Company (NAIC #16322)**

This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI) in Jefferson City, by the following DCI staff market conduct team members:

Shelly Herzing, Market Conduct Examiner-in-Charge  
Darren Jordan, Market Conduct Examiner  
Tad Herin, Market Conduct Examiner  
Andrew Cope, Market Conduct Examiner

The examination results are contained in the attached report for your consideration. The report provides the scope of the examination, summarizes the applicable NAIC *Market Regulation Handbook* standards, testing performed, and lists the findings identified in reviews.

The Market Conduct team thanks you for the opportunity to serve the Missouri Department of Commerce and Insurance and the citizens of the great State of Missouri in conducting this examination.

Respectfully,

A blue ink signature of the name "Teresa Kroll".

Teresa Kroll  
Chief Examiner, Market Conduct  
Missouri Department of Commerce and Insurance



301 West High Street, Room 530 • Jefferson City, Missouri 65101  
Telephone 573/751-4126 • RelayMo TTY Dial 711 or 1-800-735-2966

**DCI.MO.GOV**

## **TABLE OF CONTENTS**

<b>FOREWORD .....</b>	<b>4</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>4</b>
<b>METHODOLOGY .....</b>	<b>5</b>
<b>COMPANY PROFILE.....</b>	<b>6</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>6</b>
<b>EXAMINATION FINDINGS .....</b>	<b>7</b>
<b>I. CLAIMS .....</b>	<b>7</b>
<b>FINAL EXAMINATION REPORT SUBMISSION AND ACKNOWLEDGEMENT .....</b>	<b>15</b>

## **FOREWORD**

The following is a Market Conduct Examination Report performed by DCI staff market conduct examiners in the Market Conduct Section of the Division of Insurance Market Regulation. The Division of Insurance Market Regulation is an area of the Department of Commerce and Insurance that is statutorily required to perform the functions of rate and form regulation and monitor marketplace activity in addition to other functions assigned by the Director. The Market Conduct Section is tasked with the responsibility of ensuring equitable treatment of Missouri policyholders and review of insurer's documents and behavior in the market for compliance with Missouri statutes and regulations. One mechanism for performing this duty is to conduct a market conduct examination. Based on information obtained through market analysis, the Director of the Missouri Department of Commerce and Insurance determined the market activities of Progressive Direct Insurance Company warranted additional scrutiny and an examination warrant was issued on June 3, 2020.

The following is a “report by exception.” The report does not present a comprehensive overview of the insurer’s practices. Rather, it contains a summary of the non-compliant activities discovered during the course of the examination regarding the Company’s private passenger auto insurance. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon, or criticize non-compliant practices, procedures, products or files in this state or other jurisdictions does not constitute acceptance or approval of such practices.

Pursuant to § 374.205.4 RSMo, all working papers, recorded information, documents and copies thereof produced by, obtained by, or disclosed to the Director or any person in the course of the examination are provided confidential treatment.

Statutory citations that were in effect during the time of the examination period were applied.

When used in this report:

- “Company” or “PRDRT” refers to the Progressive Direct Insurance Company
- “CSR” refers to the Missouri Code of State Regulations
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “Division” refers to Division of Insurance Market Regulation
- “Handbook” refers to the 2020 NAIC *Market Regulation Handbook*
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri 2016, unless otherwise noted.

## **SCOPE OF EXAMINATION**

The market conduct examiners reviewed the Company’s business practices to determine compliance with Missouri insurance laws and regulations during the scope of the examination. This market conduct examination was performed in accordance with §§ 374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo, which empowers the Director of the DCI to examine property and casualty companies.

The primary period covered by this review is January 1, 2017 through December 31, 2019, unless otherwise noted. Errors found outside of this time period may also be included in the report. The examination consisted of a review of the following lines of insurance and business areas:

Private Passenger Automobile Insurance

- I. Claims
- II. Underwriting and Rating
- III. Marketing
- IV. Operations and Management
- V. Complaint Handling

Private passenger automobile insurance is the liability and physical damage insurance coverage that individual citizens carry on their vehicles driven for personal use. With regard to this line of business, market conduct examiners were tasked with reviewing the Company's private passenger automobile insurance in the State of Missouri. This report addresses the claims portion of the exam only. A separate report addressing any findings for the balance of the areas reviewed will be forthcoming in a separate report. Some areas of review were the Company's total loss valuations, denials and closed without payment claims.

## **METHODOLOGY**

The examiners utilized the Handbook standards when planning for and conducting their reviews. Applicable Handbook standards associated with identified errors are specifically cited in the Examination Findings section of this report. When determining which files to review, the examiners conducted both census reviews and sample reviews, as appropriate.

A review of all records in the population for a test is referred to as a census review. When a population is too large for a census review, the test is conducted by reviewing a sample of systematically selected number of records from within a population. With regards to sampling, the examiners referenced the guidance provided by the Handbook and utilize two sampling methodologies discussed in the sampling chapter: random and stratified. Under a random sampling methodology, all items in the target population have an equal chance of appearing in a sample. Under stratified sampling, the sample is obtained by performing a separate and independent random sample on a subpopulation of interest. The methodology used for each specific test is set out in the Examination Findings section of this report. Unless otherwise noted, the examiners selected all files on a random basis where a sample of a larger population was taken.

Samples were tested for compliance with standards established by the NAIC and the Department. When assessing compliance with the Unfair Trade Practices Act or Unfair Claims Settlement Practices Act, the examiners considered if the Company's actions were committed with such frequency to indicate a general business practice or if the actions were committed in conscious disregard of the law. One mechanism used by the examiners to assess if a general business practice violation occurred is to compare the Company's observed error ratio for such a practice against the NAIC benchmark error ratios of 7% for claims practices errors and 10% for unfair trade practices errors. Observed error ratios which exceed these benchmarks are presumed to occur at

such frequency to indicate a general business practice. Where a general business practice was identified, error ratios are set forth in the tables.

## **COMPANY PROFILE**

Progressive Direct Insurance Company ("PRDRT") is a wholly-owned subsidiary of Progressive Direct Holdings, Inc., whose ultimate parent is The Progressive Corporation, an insurance holding company. PRDRT was incorporated in the State of Ohio in September of 1986 for the purpose of transacting insurance business, except life insurance, in various classes of insurance as set forth in the insurance laws. PRDRT is rated "A+" by A.M. Best.

The Company's name changed from Halcyon Insurance Company to Progressive Halcyon Insurance Company effective August 28, 2000. The Company's name changed from Progressive Halcyon Insurance Company to Progressive Direct Insurance Company effective March 13, 2006. PRDRT is a property and casualty insurer and is part of The Progressive Insurance Group, which consists of 86 companies, 48 of which are insurance companies.

PRDRT is currently licensed in all states *except* Texas (Accredited Reinsurer in Arizona, Florida, Michigan and New Jersey). PRDRT is currently transacting the following lines of business: Inland Marine, Other Liability, Private Passenger Auto No-Fault, Other Private Passenger Auto Liability, and Private Passenger Auto Physical Damage. The written premium, market share, and incurred losses for the last year of the exam timeframe is captured in the table below. Premium has trended down from \$11,162,647 in 2017 to \$10,461,981 in 2019 for Missouri Private Passenger Automobile.

<b>Progressive Direct Insurance Company Financial Reporting 2019</b>			
<b>Line of Business</b>	<b>Written Premium</b>	<b>Market Share</b>	<b>Incurred Losses</b>
Missouri Private Passenger Automobile	\$10,461,981	.25%	\$4,847,387
Missouri Total – All Property & Casualty	\$10,461,981	.09%	\$4,847,387
Missouri Total – All Lines of Business	\$10,461,981	.03%	\$4,847,387
Nationwide Total – All Lines of Business	\$4,118,232,614	---	\$7,051,344,335

## **EXECUTIVE SUMMARY**

Compliance issues were found in the claims area examined for private passenger automobile coverage. The following is a summary of the findings:

### **CLAIMS**

- The Company did not timely investigate and resolve claims.
- The Company did not handle claims in accordance with policy provisions and applicable statutes, rules and regulations.
- The Company did not promptly acknowledge communications.

- The Company did not adequately document claim files.
- The Company did not disclose policy benefits, coverages, or provisions.
- The Company did not effectuate prompt, fair, and equitable claim settlements.
- The Company did not implement reasonable standards for the settlement of claims.
- The Company did not handle the denial of claims in accordance with state law.

## **EXAMINATION FINDINGS**

### **I. CLAIMS**

The claims portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations. The following Handbook standards were considered:

- Chapter 20 Claims:
  - Standard 2: Timely investigations are conducted.
  - Standard 3: Claims are resolved in a timely manner.
  - Standard 4: The regulated entity responds to claim correspondence in a timely manner.
  - Standard 5: Claims files are adequately documented.
  - Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.
  - Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

In accordance with these Handbook standards, the examiners:

- A. Requested and reviewed policies, procedures, and guidelines that pertained to claim handling procedures, including the investigation and payment of claims, for compliance with Missouri statutes and regulations.
- B. Requested and reviewed the policy provisions and requirements to pay claims in accordance with policy provisions and that policy provisions are congruent with statutes, rules and regulations.
- C. Selected and requested claims files from data supplied by the Company. Reviews of the files were conducted to determine adherence to policy provisions, company procedures and guidelines, and Missouri statutes and regulations. The samples were selected in two areas as follows:
  1. A random sample of 83 paid claim (Claims Paid) files out of a field of 663 from the data supplied by the Company were reviewed to determine if claims were paid appropriately and timely and in accordance with Missouri law and if total loss claims were valued appropriately, clearly documented, and handled in accordance with Missouri law. In addition, the inputs to the total loss valuation system and policies and

procedures applicable to total losses were reviewed to evaluate them in practical application.

2. A census of 26 denied/closed without payment (CWP) claim files from the data supplied by the Company were reviewed to determine if claims were closed without payment or denied appropriately and timely and in accordance with Missouri law.

The sample type, field size, sample size, errors and ratios are set out in the table below:

Claims Error Ratio Table						
Area of Review	Field Size	Sample Size	Sample Method	Citations	# of Errors	Error Ratio
Claims Paid	663	83	Random	374.205.2(2)	44	NA
				374.210.1 (2)	1	NA
				375.1007(1)	4	4.82%
				375.1007(2)	2	2.41%
				375.1007(3)	74	89.16%
				375.1007(4)	54	65.06%
				375.1007(6)	1	1.20%
				375.1007(12)	4	4.82%
CWP	26	26	Census	374.205.2(2)	4	NA
				375.1007(3)	7	15.38%

The examiners found the following errors in their reviews.

### **1. Paid Claims**

Finding 1: For one claim, the Company did not implement reasonable standards for the prompt investigation and settlement of claims as related to reservation of rights letters. During the investigation of this loss the Company identified a question of coverage in reference to Medical Payments Coverage claim for the insured driver. The Company did not notify the insured driver by reservation rights letter, or any other method, that coverage was in question or what was needed to resolve the investigation.

Reference: § 375.1007(3), RSMo, and Company Reservation of Rights Guidelines

Finding 2: For one claim, the Company did not provide an appropriate reply within 10 working days on all communications from a claimant. The Company did not respond after receiving a notice from a third-party administrator pursuing a recovery for medical bills incurred on behalf of a third-party claimant.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 3: In one claim, the Company did not provide an appropriate reply within 10 working days on all communications from a claimant. The Company did not respond

after receiving a notice from a third-party administrator pursuing a recovery for medical bills incurred on behalf of a first-party claimant.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 4: In one claim, the Company did not provide an appropriate reply within 10 working days on all communications from a claimant. The Company received and acknowledged a letter of representation but did not offer any response to multiple requests for specific information included in the letter of representation.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 5: In three claims, the Company did not maintain a copy of the Missouri Sales Tax Affidavit for a total loss settlement in the claim file.

Reference: § 374.205.2(2), RSMo, 20 CSR 100-8.040(3)(B)3, and Company Retention Schedule

Finding 6: For one claim, the Company did not adequately maintain the claim file as the records indicated a first-party denial letter had been sent, but the referenced letter was not found in the file.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 7: For one claim, the Company did not adequately maintain the claim file so that events could be reconstructed as communications received from the first-party claimant were only partially documented and retained.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 8: In one claim, the Company did not maintain the claim file to show clearly the inception, handling, and disposition of the claim. The file indicated correspondence had been received from a third-party claimant, but the referenced documentation was not found in the file.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 9: In one claim, the Company did not maintain the claim file so as to show clearly the inception, handling, and disposition of the claim. The file indicated letters of representation had been received for two third-party claimants, but the referenced documentation was not found in the file.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 10: In seven instances in one claim, the Company did not maintain the claim file to show clearly the handling and disposition of this claim. No supporting

documentation and photos or contradictory documentation were found for seven condition ratings used to determine a vehicle's settlement value.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 11: In one claim, the Company misrepresented facts or policy provisions related to coverages at issue by failing to inform the first-party claimant of allowing the option to select the Four New Tires valuation methodology that would have increased the insured vehicle settlement.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 12: In two claims, the Company misrepresented facts or policy provisions related to coverages at issue by failing to inform the injured first-party claimant of applicable medical payments coverages.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 13: In one claim, the Company misrepresented facts or policy provisions related to coverages at issue by failing to inform the injured first-party claimant of applicable rental vehicle coverages.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 14: In 11 claims, the Company did not effectuate a fair and equitable settlement by failing to include all optional equipment of an insured's vehicle in the total loss settlements, resulting in underpayments.

Reference: § 375.1007(4), RSMo

Finding 15: In 10 claims, the Company did not implement reasonable standards for the settlement of claims and did not effectuate fair and equitable settlements by incorrectly categorizing the condition of vehicles in total loss settlements.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 16: In one claim, the Company did not effectuate a fair and equitable settlement by not informing the insured of a relevant and alternate valuation method for recently replaced tires. The insured informed the Company that the tires had recently been replaced on the destroyed loss vehicle and provided a supporting receipt. Instead of using an alternative valuation method specific to this scenario, the Company used their typical tire tread-based condition methodology when calculating the settlement. The Company's decision to not apply the alternate valuation methodology resulted in an underpayment.

Reference: § 375.1007(4), RSMo

Finding 17: In one claim, the Company did not adopt and implement reasonable standards for the valuation of tires in total loss settlements. The typical standard applies a rating based on the remaining percentage of tread depth. Additionally, the Company employs a “Four Tire Replacement” methodology that only applies when tires have recently been replaced. For this loss, the claim handler only employed the typical standard which both produced a lower settlement and is in line with the Company’s adopted standard. The Company’s adopted standard provides no guidance on which methodology should be employed if both are applicable. The ambiguity in the standard can lead to inconsistent application by claim handlers.

Reference: § 375.1007(3), RSMo

Finding 18: In one claim, the Company did not adopt and implement reasonable standards when the Company’s documentation standard for condition ratings has multiple contradictory and unclear instructions. One instruction indicates all valuations should be supported by photos of specific areas of the vehicle, another requires clear and specific documentation so a valuation can be explained by a representative, and a third indicates no documentation is required for typical ratings even though typical ratings are commonly applied based on the identification of specific damages.

Reference: § 375.1007(3), RSMo, and Company Process “Work Center Total Loss - Submit New Valuation Request”

Finding 19: In 43 instances in 42 claims, the Company did not effectuate prompt, fair and equitable settlements by obscuring individual characteristics of comparable vehicles used in calculating total loss settlements. By failing to include any identifying information for these comparable vehicles in the claim files, the Company precluded any attempt to ascertain if the comparable vehicles were truly comparable.

Reference: §§ 374.205.2(2), 375.1007(3), 375.1007(4) RSMo, 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3)(B)1

Finding 20: In 61 instances in 58 claims, the Company did not implement reasonable standards and effectuate fair and equitable settlement of claims by failing to itemize depreciation deductions in total loss settlements. As deductions were not itemized, examiners were unable to determine if the reductions were appropriate in calculating fair and equitable settlements.

Reference: § 375.1007(3) RSMo, and 20 CSR 100-1.050(2)(E)

Finding 21: In six claims, the Company did not document the basis of salvage quotes used for owner retained settlements.

Reference: § 375.1007(3) RSMo, and 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3)(B)

Finding 22: The Company did not adopt and implement reasonable standards when selecting, implementing and monitoring an estimating software system that was used to prepare estimates. The estimates were noncompliant because they did not have a required disclosure with notification on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 23: The Company did not effectuate a fair and equitable settlement by not including the required disclosure when preparing any customer estimates based on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(4), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 24: In one claim, the Company refused to pay a claim for a child car seat that reasonably required replacement without conducting a reasonable investigation resulting in an underpayment.

Reference: § 375.1007(6), RSMo

Finding 25: In one claim, the Company provided inaccurate information in responses to the examiners by incorrectly indicating a settlement deduction was applied in line with their own adopted standards, providing a valuation that removed equipment previously identified by the Company from the settlement calculation, and then incorrectly stating the valuation with removed equipment was correct.

Reference: § 374.210.1(2), RSMo

Finding 26: In one claim, the Company did not document that it provided a reasonable and accurate explanation of the basis for such actions in writing as required by § 375.1007(12). The claim file indicated a denial letter had been sent to the first-party insured, but the Company was unable to produce the referenced letter.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 27: For one claim, the Company did not provide a reasonable and accurate explanation when the Company was informed at loss reporting that the insured driver was transported to the emergency room and the named insured later followed up and confirmed the injuries and treatment received to the Company. The claim file did not document medical payments coverage was denied and no written denial was provided.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 28: For one claim, the Company did not provide a reasonable and accurate explanation when the insured requested a rental vehicle for this loss. The claim file did not document the Company denied rental reimbursement coverage and no written denial was sent.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 29: In one claim, the Company did not provide a reasonable and accurate explanation when the named insured informed the Company of injuries to the insured driver and a demand was received on behalf of the injured insured from a medical subrogation Company. The Company closed the claim without informing the insured of the denial and no written denial was sent.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

## **2. Denied/Closed Without Payment Claims**

Finding 30: In one claim, the Company did not send a letter at 45 days to their insured setting forth the reasons additional time was needed for investigation.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(C)

Finding 31: In one claim, the Company did not advise their insured of the acceptance or denial of a claim within 15 working days.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 32: In three claims, the Company did not maintain the claim files as the records indicated first-party denial letters had been sent, but the referenced first-party denial letters were not found in the files.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 33: In three instances in one claim, the Company did not maintain the claim files as the records indicated two reservation of rights letters and a first-party denial letter had been sent, but the referenced letters were not found in the file.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 34: In one claim, the Company did not implement reasonable standards by failing to remove the insured's vehicle from the policy with a correct effective date, resulting in a policy processing error. The insured's previously owned vehicle was involved in an accident and resulted in a claim. The insured vehicle was sold on and the vehicle was not removed from the policy for 31 days, resulting in a premium overcharge. As a result, a premium credit was issued as a refund to the policyholder.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.010(1)(B)

Finding 35: In four claims, the Company did not provide a reasonable and accurate explanation of the basis for denials in writing as required by § 375.1007(12). The claim

files did note denial letters were sent, but without a copy of the letter or specific language used, compliance with the cited code could not be confirmed.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

## **FINAL EXAMINATION REPORT SUBMISSION AND ACKNOWLEDGEMENT**

Attached hereto is the Division of Insurance Market Regulation's final report of the examination of Progressive Direct Insurance Company (NAIC #16322), Missouri Examination Number SBS #360265. The findings in the final report were extracted from the Market Conduct Examiner's Draft Report, dated September 11, 2024. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this final report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This final report has been reviewed and approved by the undersigned.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the Examination are hereby acknowledged.

November 17, 2025

Date



---

Teresa Kroll  
Chief Examiner, Market Conduct

This examination was conducted by and the draft report was produced by the following team members:

Win Nickens  
Examination Manager  
Market Conduct

Shelly Herzing, CIE, MCM, SCLA  
Examiner-In-Charge  
Market Conduct

Darren Jordan, CIE  
Certified Examiner  
Market Conduct Section

Tad Herin, CIE  
Certified Examiner  
Market Conduct Section

Andrew Cope, AIE  
Accredited Examiner  
Market Conduct Section